

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission,)	
On Its Own Motion,)	
)	
vs.)	
)	Docket No. 00-0700
Illinois Bell Telephone Company)	
)	
Investigation into tariff providing)	
unbundled local switching with)	
shared transport)	

**AMERITECH ILLINOIS' RESPONSE TO STATEMENT OF SUPPLEMENTAL
AUTHORITY OF AT&T COMMUNICATIONS OF ILLINOIS, INC. AND
WORLDCOM, INC.**
PUBLIC VERSION

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WORLDCOM, INC.**

Pursuant to the schedule established by the Administrative Law Judge, Illinois Bell Telephone Company ("Ameritech Illinois") respectfully submits its Response to the Statement of Supplemental Authority of AT&T Communications of Illinois, Inc. and Worldcom, Inc.

ARGUMENT

Ameritech Illinois acknowledges that the Public Service Commission of Wisconsin ("PSCW")¹ and Indiana Utility Regulatory Commission ("IURC")² have recently issued orders addressing (among other things) prices for ULS and ULS-ST. Ameritech Illinois respectfully submits, however, that the Commission should keep in mind that *this* proceeding is concerned with prices in *Illinois*, and not those in any other state. In setting prices for ULS-ST, the Commission must make an independent determination based on Ameritech Illinois' costs and the evidence presented in this case. The recent orders issued by the PSCW and IURC are based on cost information and evidence specific to those states. That information and evidence is not present in this proceeding, and by the same token, the PSCW and IURC did not evaluate all the cost information and evidence presented here. Accordingly, we respectfully suggest that the Commission should exercise caution before according significant weight to those decisions in this proceeding. Because the Commission may consider and give some weight to the decisions of these other state commissions, in what follows, Ameritech Illinois briefly addresses the merits of the PSCW and IURC decisions in order to place the CLECs' discussion of those decisions in proper context.

¹ Final Decision, Investigation Into Ameritech Wisconsin's Unbundled Network Elements, Docket No. 6720-TI-161 (P.S.C.W. March 22, 2002) (hereinafter "PSCW Order").

² In the Matter of the Commission Investigation and Generic Proceeding on Ameritech Indiana's Rates for Interconnection, Service, Unbundled Elements, and Transport and Termination Under the Telecommunications Act of 1996 and Related Indiana Statutes, Cause No. 40611-S1, Phase I (I.U.R.C. March 28, 2002) (hereinafter "IURC Order").

At the outset, Ameritech Illinois disagrees with the decision of the PSCW and IURC to adopt a purely flat-rated charge for ULS. Ameritech Illinois has already briefed why a purely flat-rated charge for ULS prevents it from fully recovering its costs and will not reiterate the grounds for that position here. Ameritech Illinois does point out, however, that despite the PSCW and IURC rulings, 47 out of the 50 states, including Michigan and Ohio, still have bifurcated rate structures for ULS. Am. Ill. Ex. 2.2 (Palmer), Sch. WCP-1S, Table 1. Moreover, as Ameritech Illinois shows below, both the IURC and PSCW decisions support rejection of the CLECs' and Staff's positions here on other issues relating to ULS and ULS-ST.

1. Turning to the particulars of the IURC order, three key points stand out. First, the IURC ordered that the flat ULS rate fall between \$2.75 and \$4.00:

Based upon our review of the evidence and our discussion below, we find that a monthly recurring charge for unbundled local switching must fall somewhere between the \$2.75 that Dr. Ankum proposed and \$4.00 ([Z-Tel witness] Dr. Ford's proposed rate of \$4.17, adjusted to exclude the impact of switching costs for companies other than Ameritech Indiana). As discussed elsewhere, we are ordering Dr. Ankum to rerun his cost study(ies) or calculations with several changes to his assumptions. This will likely lead to a monthly recurring charge that is higher than his recommended \$2.75 figure. (IURC Order at 44).

The \$2.75 to \$4.00 range ordered by the IURC is much higher than the [*****] proposed by Dr. Ankum and the [*****] proposed by Staff in this proceeding. On the other hand, Ameritech Illinois' Alternative 2 proposal of [*****]³ falls comfortably within that range. Moreover, the IURC noted that the ULS rate ultimately approved will likely be materially higher than \$2.75 after the CLECs' re-run their costs studies to correct numerous erroneous inputs.

Second, as shown in the table below, the IURC adopted rates for ULS-ST elements that are, by and large, higher than those proposed here by Ameritech Illinois – and much higher than those proposed by the CLECs and Staff. **[Begin Conf. *****

³ The [*****] comes from Ameritech Illinois' Alternative 2 proposal, which is essentially a flat-rated proposal.

	IURC⁴	Ameritech Illinois⁵	AT&T/WCOM⁶	Staff⁷
ULS-ST Blended Transport (per MOU)				
ULS-ST Common Transport (per MOU)				
ULS-ST Tandem Switching (per MOU)				
ULS-ST Reciprocal Compensation (per MOU)				
ULS-ST SS7 Signaling Transport per Message				

***** End Conf].**

Third, the IURC adopted Ameritech's switch vendor technology mix and reciprocal compensation rate, while also rejecting the CLECs' proposed charge for billing inquiry and measurement expenses. IURC Order at 55, 57-58.

2. As to the decision from the PSCW, Ameritech Illinois first notes that the PSCW adopted a flat-rated ULS charge "reluctant[ly]" and recognized that "[n]early every jurisdiction that has established tariffs or approved interconnection agreements for unbundled local switching has included both per-line and a minute-of-use charges." PSCW Order at 80, 83. Moreover, the

⁴ IURC Order at 59.

⁵ Am. Ill. Ex. 2.1 (Palmer) Sch. WCP-6R.

⁶ AT&T/WorldCom Joint Ex. P-1.1 (Ankum).

⁷ Staff Ex. 5.0 (Graves) at 12.

PSCW agreed with Ameritech's position that the prices in Ameritech's switch vendor contracts are based on specific assumptions regarding the number of replacement lines and growth lines the vendors will have to provide. *Id.* at 70. In line with this incontestable fact, the PSCW acknowledged that if the vendors were required to provide many more replacement lines (as they would in the CLECs' rework of ARPSM), then the vendors would raise the replacement line price. As the PSCW explained, "It would be reasonable to assume that if Ameritech were to contract to replace all of its switches, the prices for replacement lines would be higher than the prices in Ameritech's contracts." *Id.* This calls into serious question the CLECs' proposal here to increase the number of replacement lines input into ARPSM while using the actual current contract prices.

The PSCW also found that a host of Ameritech's inputs into the ULS and ULS-ST cost studies were proper. Specifically, the PSCW found:

- ?? Ameritech's switch ordering intervals were appropriate. PSCW Order at 71.
- ?? Ameritech's blend of switches in its network was appropriate. *Id.* at 72.
- ?? Ameritech's fill factors of [*****] for analog lines and [*****] for trunks were reasonable. *Id.* at 7, 74.
- ?? Ameritech's depreciation rate was reasonable. *Id.* at 76.
- ?? Ameritech's methodology regarding right to use fees and revenue ready fees was reasonable. *Id.* at 78.
- ?? Ameritech's calculation of average call distances for shared transport was reasonable. *Id.* at 85.

3. Finally, Ameritech Illinois notes that other states in the region have rejected flat-rated ULS charges. The Public Utilities Commission of Ohio ("PUCO") has very recently

affirmed Ameritech Ohio's bifurcated ULS rate structure after concluding that "usage is a driver of switching costs."⁸ As the PUCO explained:

We find that, while Ameritech pays vendors on a set rate per-line basis, it cannot be inferred that Ameritech's forward-looking costs of providing switching service is independent of customer usage. As explained by Dr. Currie, as customer usage increases incrementally, switch investments have to be made in the form of CCS jobs. Further, as switching usage levels increase, additional equipment is needed in order to handle increased capacity. Accordingly, this rate structure is consistent with the way costs are incurred in Ameritech's network.⁹

Moreover, the PUCO adopted a ULS port charge of \$4.63.¹⁰ The PUCO's \$4.63 is much higher than Ameritech Illinois' bifurcated ULS port proposal here of [*****]. And it is *more than double* the CLECs' purely flat-rated charge of [*****] and Staff's charge of [*****] – a fact even more striking when one considers that, unlike the CLEC and Staff proposals here, the Ohio \$4.63 port charge does not purport to include the costs of switch usage. In this regard, the CLECs' and Staff's proposals here are also notably lower than those adopted in Michigan, which has adopted a bifurcated ULS rate structure with a ULS port charge of \$2.53 and a per-MOU charge of \$0.001192. Am. Ill. Ex. 2.2 (Palmer) Sch. WCP-1S, Table 1; Ameritech Michigan Tariff M.P.S.C. No. 20R, Part 19, Section 3, 5th Revised Sheet No. 43 & 3rd Revised Sheet No. 45.

⁸ In the Matter of Review of Ameritech Ohio's Economic Costs for Interconnection, Unbundled Network Elements, and Reciprocal Compensation for Transport and Termination of Local Telecommunications Traffic, Case Nos. 96-922-TP-UNC & 00-1368-TP-ATA (Oct. 4, 2001), at 18 (2001 Ohio PUC LEXIS 719, at *47); *aff'd on rehearing*, Entry on Rehearing (Jan. 31, 2002) (2002 Ohio PUC LEXIS 100).

⁹ *Id.* at 18-19 (2001 Ohio PUC LEXIS 719, at *47).

¹⁰ *Id.* at 19. It should be noted that the PUCO decided to reduce the \$4.63 rate to \$3.13 for residential customers only on an interim basis for 24 months beginning May 1, 2002. Second Supplemental Opinion and Order, In the Matter of the Commission-Ordered Investigation of Ameritech Ohio Relative to Its Compliance with Certain Provisions of the Minimum Telephone Service Standards Set Forth in Chapter 4901:1-5, Ohio Administrative Code, Case No. 99-938-TP-COI (P.U.C.O. Jan. 31, 2002). While reaffirming that the \$4.63 port charge was cost-based – that it "is based upon actual contracts between Ameritech and its switch vendors" – the PUCO ordered the reduction because it believed that doing so would somehow aid residential competition in Ohio. *Id.* at 46. Ameritech believes that it is unlawful to set UNE rates with an eye toward the status of local competition rather than the law, and doubts that the PUCO's action will withstand review. The 1996 Act and the FCC's regulations establish the legal standards for setting UNE rates. Those standards require that UNE rates be set based on cost.

Finally, Ameritech Illinois notes that the PUCO found that Ameritech's ARPSM methodology arrived at the appropriate weighting of replacement versus growth lines:

The Commission adopts Ameritech's proposed weighting for replacement lines versus growth lines. Ameritech's access lines included in the ARPSM are a representative sample of replacement/growth line mix in Ameritech's network on a forward-looking basis. There is no evidence in the record as to the actual mix for all lines in the entire network or whether any were characterized and billed as replacement/growth lines in prior contracts. Again, the analysis should be limited by the terms and conditions of the vendor contract as to the replacement lines used in determining the contract prices which are the basis of the cost calculations.¹¹

This PUCO's analysis on this score applies to the letter in this case.

CONCLUSION

In sum, if the Commission decides to consider the recent Indiana and Wisconsin orders in making its decision in this proceeding, it is only fair to do so after placing the CLECs' citation of those decisions in their proper context. Moreover, it is fair to consider the decisions of the Indiana and Wisconsin commissions only if the Commission also takes account of (1) all aspects of those decisions, including in particular those that support Ameritech Illinois' position here, and (2) the decisions of the other state commissions in the Ameritech region.

¹¹ *Id.* at 19 (2001 Ohio PUC LEXIS 719, at *48).

Respectfully submitted,

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April 9, 2002

CERTIFICATE OF SERVICE

I, J. Tyson Covey, an attorney, hereby certify that I caused copies of Ameritech Illinois' Response to Statement of Supplemental Authority of AT&T Communications of Illinois, Inc. and WorldCom, Inc. to be served on the parties on the attached service list by e-mail, messenger, overnight mail, or U.S. Mail, with all charges paid, this 9th day of April, 2002.

J. Tyson Covey